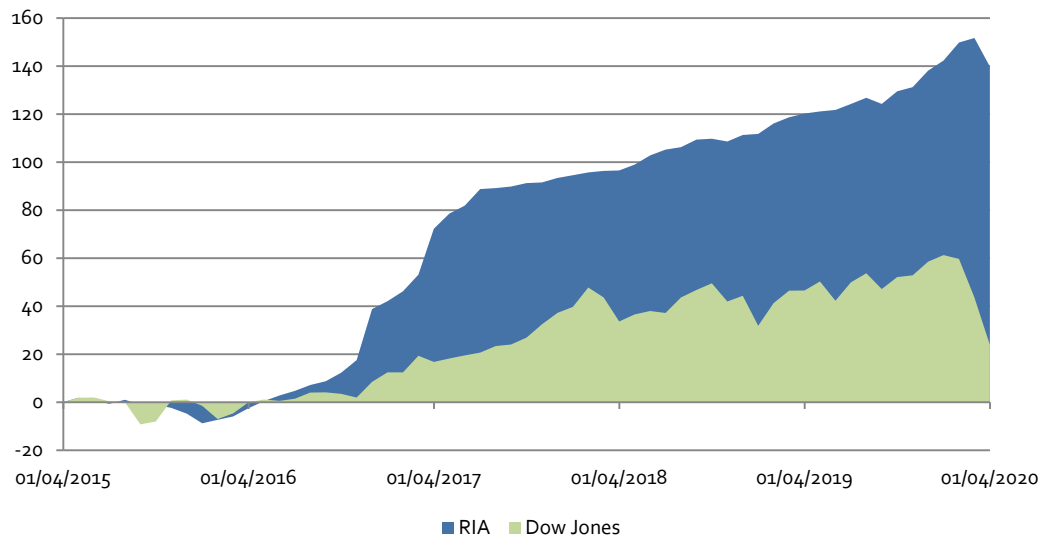




The Regular Account fared better than most during the March stock market meltdown recording a loss of 4.73% while its benchmark the Dow Jones lost 13.74%. The reason RIO was able to avoid a larger loss was the swift action taken and the fact that the account trades heavily in defence stocks; companies which are deemed essential due to their products being related to national security.



Armed with over twenty years' experience in trading stocks, I was almost certain that the US market had entered a massively oversold position by the 16th March. This, coupled with the arrival of the \$2.5 trillion stimulus package, had me expecting the arrival of the first upward spike in stocks. As such, I swiftly started to average down core stocks such as Lockheed Martin and added Boeing which I bought on the 18th at \$117.10. This being the first time I had traded Boeing since ceasing trades of the stock due to 737 Max fiasco.

The strategy paid off as I sold 100% of Boeing on the 25th at \$127.30, taking profits. I then sold 25% of Lockheed Martin on the 27th at \$340.52 taking the original capital and gains back to cash.

As mentioned above the Regular Account focus is on the defence sector; it is worth pointing out that defence companies landed multiple 9-figure deals in March!

Importantly this is one sector which has recovered from the broader market collapse in late February and March. Stocks such as Lockheed Martin and Elbit systems are primary defence contractors that are traded every month by the RIO Regular.

Below is a small brief on two of the main companies' stock in which RIO trades.

Lockheed Martin Corp. (LMT)

Kept its 2020 guidance largely unchanged as it mitigated the impact of the coronavirus pandemic on production and its supply chain. The defence sector, deemed an essential sector, with the Pentagon disclosing that only around 1% of the broader supply base is shuttered, has continued to operate

through coronavirus driven shelter in place restrictions. This lack of business interruption helped Lockheed Martin, the world's largest defence company by sales, maintain existing profit forecast for 2020, with only a small trim to its revenue outlook.

Lockheed Martin's footprint across air, space, sea and land systems makes it a proxy for Pentagon spending, with U.S. government outlays rising 6% in the first quarter from a year earlier, including a 31% jump in March. The company reported profit of \$1.7 billion in the quarter ending in March. Looking forward the company expects sales to rise to as high as \$64 billion this year, trimming just \$250 million from the top end of its guidance because of pandemic-related disruption.

Elbit Systems Ltd. (ESLT)

Some of their businesses have begun to experience disruptions. A series of cost control measures have been initiated to help limit the financial impact on the Company.

Elbit Systems has a healthy balance sheet, adequate levels of cash and access to credit facilities that provide liquidity when necessary. Part of these financial resources have already been used to fund suppliers and build buffer stocks of inventory where required.

Like LMT, Elbit is a beneficiary of the numerous defence contracts awarded in March. LMT and ESLT are in a privileged position of still being able to maintain work levels and produce additional revenue. This is in contrast to many companies that, due to lockdowns, have been forced to temporarily halt operations, are losing money and struggling for survival. Which stocks would you prefer to be invested in?

Now is the time to evaluate your portfolio outside of RIO. If you have lost money in today's market and are still holding on to stocks which have lost money, what you require is sound financial help. As always, RIO are willing and able to aid with analysis and comparison.

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The RIO Club